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PARIS PLEASE PASS USOECD
FOR U/S HORMATS (E), WHA A/S VALENZUELA, EEB AA/S BORG, AND OECD AMBASSADOR KORNBLUH FROM AMBASSADOR SIMONS

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SUBJECT: U.S. Support for Chile's OECD Accession

1. (U) Summary. Chile is ideally qualified to join the Organization for Economic Cooperation and Development (OECD) as its first South American member. U.S. support for Chile's accession this December will recognize Chile's remarkable economic, social, and political achievements over the past two decades, and seat an innovative (albeit modest sized) economy at an important global policy table. End summary.

2. (U) In October, the Chilean Congress passed the last of the four pieces of legislation that the Bachelet Administration portrayed as critical for OECD accession. Chile's accession request will be considered by the OECD Council on December 10 and, if the Council approves, Chile will be invited to become an OECD member at the December 15 Council session.

SOLID GLOBAL CITIZEN

3. (U) Chile is an excellent citizen of the international economic community. There is strong domestic consensus on the importance of stable economic policies built on fiscal discipline, private sector led growth, and market openness. Chile's foresight to run systematic budget surpluses and to set aside over \$17 billion windfall copper profits in reserve funds has left it well-positioned to respond to the global economic crisis. With trade agreements with 59 countries (including the United States), it is a leading practitioner of trade integration. These policies have helped reduce poverty dramatically, from around 40% in 1990 to 14% in recent years. The IMF forecasts that Chile will have the highest per capita GDP in Latin America in 2009.

4. (U) Chile has implemented an impressive system of private sector financed concessions to establish world-class infrastructure, an approach that it is now sharing with its regional neighbors. And it is working to tackle its social, educational, and health challenges in a responsible manner, although it acknowledges more needs to be done. Chile's conditional cash transfer system was highlighted at the September Inter-American Social Protection Network conference hosted by the Secretary, with President Bachelet as a guest of honor.

OECD MEMBERSHIP HELPS FRAME DOMESTIC DEBATE

5. (SBU) Chile aspires to reach developed country income levels in the next 10-15 years, and is increasingly aware of the need to frame its domestic agenda to conform with developed country standards. Pursuit of OECD membership was a powerful incentive to secure legislation relaxing bank secrecy and to allow for corporate criminal liability. This legislation helps modernize Chile's business framework and is a valuable step forward in our bilateral relations -- the revised bank secrecy provisions, which permit the national tax service to access Chileans' bank-account information and share it with other countries' tax authorities, could allow the

United States to conclude a bilateral tax treaty with Chile, the negotiation of which has been frozen for years.

16. (SBU) More broadly, the wide range of OECD committees and agreements will provide important reference points for Chile as it modernizes. For example, potential OECD membership is already helping to reframe the domestic debate on environmental standards, increasing awareness of the importance of moving to more stringent environmental methodologies and enforcement mechanisms. Chile has also worked with the International Energy Agency (IEA) to review

Chile's energy policies, and the recently published IEA energy policy review highlights the issues Chile will have to address to meet its energy needs while lowering its carbon footprint; OECD membership would open the door to Chile joining the IEA and working with us on issues of mutual interest.

17. (SBU) OECD membership would also give us an additional venue to urge Chile to make progress in problematic areas. One of the biggest irritants in our otherwise strong bilateral relations is insufficient progress on intellectual property rights (IPR). Hearing those concerns echoed in an international forum and reinforced by other developed countries would provide additional incentives to strengthen its IPR regime.

CHILE GIVES THE OECD A REGIONAL PLATFORM

18. (SBU) Chile would be the first South American country and second Latin American country to join the OECD. Having a South American member of the OECD will give the OECD and its members a platform in the region. Just as potential OECD membership has helped frame domestic discussions in Chile, we expect that Chilean membership in the organization would encourage other countries in the region to aspire to meet OECD standards. Chile recently hosted the first meeting of the Americas Competitiveness Forum (ACF) outside the United States, helping bring ACF themes closer to the region and strengthening the Forum as a regional entity. We believe Chile's OECD membership would bring similar benefits for the OECD.

BACHELET LEGACY

19. (SBU) President Bachelet leaves office in March 2010. She sees Chile's OECD accession as part of her legacy, and talented Finance Minister Velasco has been particularly committed to driving forward the accession effort. The Bachelet Administration has expended considerable energy and political capital in moving key pieces of legislation relatively quickly through the often slow Chilean Congress. The Bachelet government has confidently proclaimed that it will join the OECD on December 15, and any development that derails those expectations would be a profound disappointment for this close South American ally. More importantly, Chile's accession will facilitate another strong Western Hemisphere, Pacific-focused, market-oriented voice at the OECD policy table.

SIMONS